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1.3 - Discussion: Financial Statement Analysis

All publicly trading companies are supposed to submit their annual reports that display various aspects such as Net Sales, Net incomes, Total assets among others. In light of the above, this paper analyses the annual reports for Wal-Mart Inc to analyze the various contents that are contained in their financial statement whose link is provided below. <http://stock.walmart.com/investors/financial-information/annual-reports-and-proxies/default.aspx>.

For the last three years the Wal-Mart Sales were as shown in the table below (Figures in Millions)

|  |  |  |  |
| --- | --- | --- | --- |
| Year | 2015 | 2014 | 2013 |
| Sales ($) | 482,229 | 473,076 | 465,604 |
| Percentage change in net sales from previous fiscal year | 1.9% | 1.6% | 5.0% |

On the part of the net income for the same period which represents the firms' total earnings that is simply calculated by subtracting the costs associated with doing the business was as shown in the table 2 below

|  |  |  |  |
| --- | --- | --- | --- |
| Year | 2015 | 2014 | 2013 |
| Net Income ($) | 16,363 | 16022 | 16,999 |

With regard to the average total assets that is obtained be getting the average of the aggregate Total assets for the two years period and dividing the same by 2

Total assets for 2015 +Total Assets for 2014 /2

= ($ 203,706 + $ 204,751)/2 = $ 204228.5

To calculate the return on assets is the net income divided by the Average Total Assets. In this case taking the net income for 2015, the return on assets will be

(16,363,000/204,228,500) = 8.01%

Wal-Mart do face a number of competitors and for comparison purposes we can use the statements for Home Depot whose link is provided below [http://ir.homedepot.com/financial-reports/annual-reports/recent](http://ir.homedepot.com/financial-reports/annual-reports/recent%20)

The total average assets is (39,946 + 40,518)/2= 40232

The net income for 2015 was 7,009

Home depot Return on Assets = 7,009/40232 = 17.42%

Compared with its competitors Wal-Mart has got a low ratio or percentage in terms of return on assets. It implies that most of its competitors are doing well in terms of utilizing the investments that they make. All the same, the above does not always translate to the profitability terms as Wal-Mart may also be using its money to invest on some other areas.

On the part of how the well the company is doing one can conclude that it had a good trading period in 2013, and that went to a decreasing trend when it comes to 2014 where the Percentage change in net sales from previous fiscal year was 5% in 2013 and 1.6% in 2014. However, the company has a positive trend when one looks at the 2015 figure that shows a percentage of 1.9%. Within that trading period there was no much fluctuations in terms of the dollar where at times the values of currency do affect the above percentage. Because the firm is operating in the retail industry such results show a positive growth trend for the firm or it is a profitable company that one can invest in.